

Marie-Anne Barbat-Layani, Chief Executive Officer of the French Banking Federation

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A lot is being said about where financial services will be located after Brexit. Do you think the EBA will move to Paris?

The FBF doesn't make the EBA's decisions, but Brexit will have more important ramifications than this because it gives us an historic opportunity to develop Europe's capital markets. And Paris is well placed to play a key role in this. France is home to four of the euro zone's nine biggest banks. Paris also has big asset managers, insurers and an ecosystem of fintechs. We have large companies that issue securities, and clear support from the government.

The Basel III agreement has reached a deadlock. The governor of the Banque de France is pressing for it to be "fair". What do you think?

It would be better to have no agreement than to have a bad agreement, and an agreement with a floor would be a bad agreement. We - like all European banks - are against this. The mandate the G20 gave the Basel Committee was that there should be no "significant impact" on capital requirements. While the Basel Committee's latest impact study from summer 2016 seemed to show no significant impact in the United States, the same does not apply in Europe. This is the first problem of fairness.

In addition, the Basel discussions are extremely counterproductive in terms of risk management. The philosophy behind previous Basel agreements was clear - the aim was to oblige banks to manage their risks properly with adequate capital levels. In Europe, banks have invested heavily in internal models, which have been approved by and are supervised by the ECB, to make real capital and regulatory capital converge. The output floor does exactly the opposite.

I think that fairness also extends to the scope of the agreement and whether or not it should include the treatment of market risks [the FRTB or Fundamental Review of the Trading Book - Ed.]. This has extreme implications in terms of competitiveness due to the importance of market financing in the United States and for US banks. The United States has already said it will not apply this part of the agreement, and the Basel Committee is reviewing the matter. It is therefore not yet mature. When we have raised important topics that receive inappropriate treatment, such as home loans, we have always been told that until there is a full agreement, there is no agreement. Should we accept the reform without the part of the agreement that troubles American banks? Why should we do that?

Do you think the Commission can realistically finalise this by 2018?

It is hard for us to know whether the timeframe will be kept given the deadlines facing the European Commission and the European Parliament. We want to see a stabilisation in the regulatory framework as soon as possible. But unfortunately, the European Commission has prematurely introduced the treatment of market risks into the frame, even though this is part of the Basel agreement that is under discussion! It really is shooting itself in the foot! It is time for the euro zone to take control of its future and address the question of financing its businesses.

The Commission has also submitted new plans for a European deposit insurance scheme. Do you think this is the “vital missing element of the Banking Union”?

First the Banking Union, which we have always supported, needs to be applied. This means we must consider the euro zone as a single area in terms of regulation, putting a stop to the fragmentation that arises from having national solvency and liquidity requirements in the euro zone. For the European Deposit Insurance Scheme, the FBF is in favour of the first stage - the reinsurance mechanism - which maintains the responsibilities of national guarantee schemes. But we are not in favour of the second stage - co-insurance, or pooling - because it should first involve a review of banks' balance sheets, like what was done for those banks that are supervised under the SSM. Otherwise, the moral hazard will apply in full.

You mentioned a review of European banks. The matter of non-performing loans is still relevant. Is this hindering merger activity, and in particular cross-border deals?

In France, non-performing loans are well under control: they account for 3.4% of banks' balance sheets - down from 3.9% in 2016. This compares with a European average of 4.5%, and a much higher figure in other countries. So we must not introduce a standard treatment that penalises banks that have done their job.

As for cross-border mergers, it seems that the regulators are in favour of them. I am not going to comment on banks' strategic decisions, as this is not the FBF's role. But the first obstacle is a regulatory one: until requirements have been stabilised, it will be difficult to measure the value of a target. In addition, until the Banking Union is recognised by regulations - which have a very national focus in terms of capital requirements, solvency and resolution - this will negatively impact cross-border deals in the euro zone. And finally, bank regulation is increasingly weighing on the size of balance sheets and this is not encouraging mergers between banks. This is another reason to relaunch the Capital Markets Union - a strategic project for Europe that will reduce banks' balance sheets and allow them to better use their capital to finance the economy.

The need for a Capital Markets Union (CMU) is disputed. How will it come about?

The CMU needs to be relaunched because it is a matter of sovereignty in terms of financing the European economy, and a considerable opportunity for growth. With Brexit and with banking regulations that are encouraging more market-based financing, a “financing union” is vital. To achieve this, we suggest setting up a “Committee of Wise Men” which would lay down the main guidelines for relaunching the CMU.

What other matters are you involved in?

Cybersecurity for payment systems. There is clearly a very serious flaw in the Payment Services Directive (PSD2) which is due to enter force on 13 January, while the security standards will, at best, only apply 18 months after they are published - which they haven't been yet. We are therefore calling for the timelines to be aligned. The PSD2 was drafted five years ago by the Competition Directorate-General in Brussels. But the world has changed since then. Following recent cyber-attacks, security is vital to protect clients' money and data as well as the integrity of our payment systems.

There is also a real risk that security standards will decline under the Brussels process. The EBA, which was asked to set the regulatory technical standards (RTS), focused on secure account access and APIs [Application Programming Interface - Ed.] and is calling for a ban on web scraping (access to client accounts using their login and access codes). This dangerous technique is currently used by account aggregators and third party providers, who have asked Brussels to maintain it as an alternative to APIs. We hope the European institutions will act wisely. Client security is at stake, along with confidence in payment systems and, ultimately, in online trading as a whole. We must never compromise on security.